

Message Text

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ORIGIN FRB-03

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DRAFTED BY FRB:BERNARD:JA
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O 121607Z APR 78
FM SECSTATE WASHDC
TO AMEMBASSY TOKYO IMMEDIATE

C O N F I D E N T I A L STATE 093544

TO MCCAMEY FROM FEDERAL RESERVE BERNARD

E.O. 11652:GDS

TAGS: OVIP(BURNS)

SUBJECT: BURNS TRAVEL TO TOKYO

1. REGRET TO INFORM YOU OF DEATH OF ALLAN SPROUL ON SUNDAY.
SURVIVED BY THREE SONS, INCLUDING ALLAN JR., 251 CRESCENT ROAD
SAN ANSELMO, CAL. 94960.

2. CATHERINE HAS ACCEPTED DINNER INVITATION FOR YOU AND
MRS. BURNS FROM AMBASSADOR PHILIP ALSTON IN AUSTRALIA ON
APRIL 24.

3. RETAIL SALES IN MARCH ARE INDICATED BY ADVANCE PARTIAL-
SAMPLE TO HAVE INCREASED 1.9 PER CENT FROM FEBRUARY, WHEN
THEY ROSE 3.0 PER CENT ACCORDING TO SHARPLY, UPWARD-REVISED
ESTIMATES. JANUARY SALES NOW ESTIMATED TO HAVE DECLINED
3.5 PER CENT. MOST OF UPWARD REVISION IN FEBRUARY WAS IN
SALES BY AUTOMOTIVE DEALERS. FOR FIRST QUARTER AS A WHOLE,
TOTAL RETAIL SALES WERE ABOUT UNCHANGED FROM FOURTH QUARTER,
AND EXCLUDING AUTOMOTIVE DEALERS AND LUMBER-HARDWARE-ETC.

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GROUPING WERE UP 0.6 PER CENT. IN MARCH, DURABLE GOODS
SALES ROSE 0.5 PER CENT, FOLLOWING A 4.1 PER CENT RISE IN
FEBRUARY. A DECLINE IN SALES BY FURNITURE AND HOME
FURNISHINGS AND EQUIPMENT STORES WAS MAINLY RESPONSIBLE FOR
SMALL INCREASE. SALES AT NONDURABLE GOODS STORES ROSE 2.3
PER CENT.

4. AVERAGE CONTRACT INTEREST RATE ON NEW COMMITMENTS FOR

80 PER CENT CONVENTIONAL HOME MORTGAGES AT SELECTED S&LS ROSE 3 BP FURTHER TO 9.28 PER CENT DURING WEEK ENDED APRIL 7, TO THE HIGHEST LEVEL IN OVER THREE YEARS, BUT STILL 75 BASIS POINTS BELOW PEAK OF SEPTEMBER D975.

5. MERCHANT BUILDER SALES OF NEW SINGLE-FAMILY HOUSES IN FEBRUARY DECLINED 7.2 PER CENT FURTHER FROM AN UPWARD-REVISED JANUARY FIGURE. SEASONALLY ADJUSTED ANNUAL RATE OF 746,000 WAS LOWEST MONTHLY PACE SINCE JULY. EVEN SO, COMBINED RATE OF SALES FOR JANUARY AND FEBRUARY WAS LESS THAN A TENTH BELOW LATEST PEAK IN FOURTH QUARTER.

6. SALES OF EXISTING HOMES IN FEBRUARY POSTED THEIR THIRD CONSECUTIVE MONTHLY DECLINE: 8.5 PER CENT TO 3.46 MILLION UNITS, , THE LOWEST RATE SINCE LAST JUNE.

7. WHOLESALE TRADE INVENTORIES IN BOOK VALUE TERMS INCREASED AT \$10.1 BILLION ANNUAL RATE IN FEBRUARY, FOLLOWING \$11.9 BILLION RISE IN JANUARY. FEBRUARY INCREASE LARGELY CONCENTRATED IN DURABLE GOODS WITH MOST OF THAT ACCUMULATION IN STOCKS OF MOTOR VEHICLES AND PARTS AND OF HARDWARE.

8. SHIPMENTS OF MERCHANT WHOLESALERS INCREASED 2.7 PER CENT IN FEBRUARY.

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9. DETAILS OF PRESIDENT CARTER'S REMARKS ON INFLATION HOPEFULLY WILL BE AVAILABLE TO YOU. CHAIRMAN MILLER AUTHORIZED RELEASE OF THE FOLLOWING STATEMENT TO THE PRESS: "THE PRESIDENT HAS MADE PRACTICAL AND EFFECTIVE PROPOSALS FOR TURNING THE RATE OF INFLATION DOWNWARD AND RESTORING AMERICAN CONFIDENCE AND WORLD CONFIDENCE IN OUR ECONOMY AND OUR MONEY. HIS PROGRAM HITS AT THE ROOTS OF THE PROBLEM: THE UPWARD PRESSURE ON PRICES CAUSED BY RISING COSTS AND A DECLINING DOLLAR; AND THE GROWING DEPENDENCE ON IMPORTED PETROLEUM. THE PRESIDENT'S PROPOSALS DESERVE FULL COOPERATION FROM EVERY AMERICAN. SUCCESS IN CURBING INFLATION DEPENDS ON SUCH COOPERATION. AND SUCCESS WILL BENEFIT EVERYONE IN TERMS OF JOBS, REAL PURCHASING POWER, REAL PROFITS, AND THE VALUE OF OUR SAVINGS AND PENSIONS." PRESS COMMENTARY WILL BE MAILED TO YOU WHEN PUBLISHED.

10. DOMESTIC FINANCIAL MARKETS HAVE BEEN RELATIVELY QUIET OVER THE PAST TWO DAYS. FEDERAL FUNDS HAVE CONTINUED TO TRADE AROUND 6-3/4 PER CENT. THE 3-MONTH BILL RATE CLOSED TODAY AT 6.35 PER CENT. STOCK PRICES HAVE HELD IN A FAIRLY NARROW RANGE OVER THE PAST TWO DAYS.

11. GUENTHER ADVISES THAT INTERNATIONAL BANKING ACT PASSED IN HOUSE BY OVERWHELMING MARGIN, WITH NO MULTI-STATE BRANCHING LIMITATIONS. SENATE BANKING WILL TAKE UP BILL IN JUNE.

12. IN FOREIGN EXCHANGE MARKETS THE DOLLAR FELL 3 TENTHS PER CENT ON MONDAY, ERASING A SIMILAR GAIN ON FRIDAY, AS MARKET PARTICIPANTS AWAITED PRESIDENT CARTER'S SPEECH. TODAY, THE DOLLAR EDGED ONE-TENTH LOWER, WITH LITTLE REACTION IN NEW YORK FOLLOWING THE SPEECH.

13. THE NEXT ECONOMIC SUMMIT OF THE HEADS OF THE SEVEN MAJOR INDUSTRIAL NATIONS WILL BE HELD IN BONN ON JULY 16 AND 17.
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14. THE UNITED ARAB EMIRATES HAS PREPARED A FORMAL PROPOSAL TO BASE OIL PRICES ON A BASKET OF CURRENCIES.

15. ADDITIONAL MATERIALS ARE BEING MAILED TO YOU. END. VANCE

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